



# Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street  
Chicago, IL 60611

## Legislation Text

---

**File #:** 14-1215, **Version:** 1

---

### **TRANSMITTAL LETTER FOR BOARD MEETING OF OCTOBER 16, 2014**

#### COMMITTEE ON REAL ESTATE

Mr. David St. Pierre, Executive Director

Authority to amend lease agreement between the District and Chicago Title Land Trust as Assignee of LaSalle National Bank, as Trustee under Trust Agreement dated October 11, 1979, on 5.7 acres of District real estate located at 3350 South Kedzie Avenue, Chicago, Illinois; Main Channel Parcel 41.03

Dear Sir:

On August 2, 1951, the District entered into a lease agreement with WHFC, Inc. on the subject property for a 99-year term commencing July 15, 1951, and expiring July 14, 2050, to operate a radio station ("Lease"). The Lease was assigned from time to time, with the last assignment on November 1, 1979, from Globe Broadcasting Company to LaSalle National Bank, as Trustee under Trust Agreement dated October 11, 1979, and known as Trust No. 101868. The beneficiaries of the trust are Midway Broadcasting Company ("Midway") and Migala Communications Corporation ("Migala"). Midway operates radio station WRLL and Migala operates radio station WCEV. The leasehold is improved with an office building and a radio transmission tower. The current rent is \$11,107.20.

The rental amount under the Lease is 8% of the fair market value and is subject to decennial reappraisals. The leasehold was scheduled to be appraised in 2011, and the parties have been attempting to appraise the site and adjust the rent since that time. There is no cap on the reappraisal or on the rental increase for the 2011-2021 period. There is, however, a 30% cap on rental increase for the 2021-2051 reappraisal period.

The Lease requires the parties to obtain a joint appraisal with no limitation on any rental increase for the 2011-2021 time period. The District chose Cohn Reznick as its appraiser and Midway/Migala chose Zimmerman Real Estate Group. Both parties' appraisers jointly valued the property at \$1,120,000.00. Pursuant to the Lease terms, the new annual rent for the premises computed at 8% was \$89,600.00, an increase of 800% from the previous period. The parties obtained previous appraisals prior to the Cohn Reznick/Zimmerman appraisal, each arriving at similar values.

Midway and Migala have requested that the Lease be amended to provide for a rental amount lower than \$89,600.00. After protracted discussions between the parties, the following amendments to the Lease terms are recommended:

- 1) The new rental amount for each 10-year reappraisal beginning with the 2011 reappraisal be capped at 100% of the rent in effect on the last day of the proceeding 10-year period. Such cap is consistent with the District's leasing statute for leases issued after September 11, 2007, and is, therefore, consistent with the current District leases;
- 2) The rental payment shall be subject to an annual increase in accordance with the Consumer Price Index consistent with the District's leasing statute; and

- 3) Midway and Migala will pay all back rent and delinquent real estate taxes prior to October 16, 2014.

It is respectfully requested that the Executive Director recommend to the Board of Commissioners that it authorize and approve an amendment to the lease agreement consistent with the terms and conditions set forth in this transmittal letter.

It is further requested that the Executive Director recommend to the Board of Commissioners that it authorize and direct the Chairman of the Committee on Finance and the Clerk to execute the amendment to the lease agreement on behalf of the District after it is approved by the General Counsel as to form and legality.

Requested, Ronald M. Hill, General Counsel, RMH:STM:MLD:vp:ss

Recommended, David St. Pierre, Executive Director

Respectfully Submitted, Mariyana T. Spyropoulos, Chairman Committee on Real Estate Development

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for October 16, 2014

Attachment